

New Democrats' Agenda for Innovation and Entrepreneurship

Growth, Prosperity, Leadership

What's at stake: American global leadership

In each of the last two centuries, American innovations have revolutionized the world. From the telegraph to modern manufacturing to the Internet, American innovators and inventions have both transformed the global economy and brought our nation wealth.

As members of the New Democrat Coalition (NDC), we believe that the 21st century should be America's century as well. Even as China, India, Brazil and other nations are fast rising as global powers, we believe that America can continue its global leadership and ensure prosperity for its people through a new century of innovation.

But to maintain this pre-eminent role, America must realize and harness its full innovative potential. To maintain its innovative edge, America must step forward with the right policies to lead.

What we believe: Innovation as the cornerstone of prosperity

As New Democrats, we believe that America's innovative potential remains the foundation of its future prosperity. We believe in the power of new ideas to create unlimited and transformative opportunities for American workers and businesses. And we believe that by promoting innovation and the free flow of ideas, we contribute to the maintenance of a just, fair and democratic society.

We also believe that smart government policies are vital for supporting American innovation. Government policies can nurture promising infant industries, provide entrepreneurs with skills and capital, allow American companies to be globally competitive and help American workers succeed.

What we support: Building an innovation economy

The New Democrats support an agenda that will build on America's creative edge in the global economy and create opportunities for Americans at home. We believe in three components that are critical for building an innovation economy: (1) investing in people; (2) investing in ideas; and (3) helping American companies and workers compete and win in a global economy.

I. Investing in People.

The American workforce is the lifeblood of the economy and the wellspring of innovation. We believe that America must invest in the ingenuity of its workers and entrepreneurs by providing small businesses with better access to capital and opportunities to succeed, ensuring more access to mid-career education and skills, and promoting national excellence in math and science education. Among the policies we support:

Better access to capital for small businesses. Small businesses – including otherwise healthy ones – are having trouble accessing credit because of the financial crisis. These businesses are responsible for approximately 70% of all new jobs created in the economy and drive much of the innovation in America. New Democrats support policies that will free up capital for existing small businesses and provide incentives for the creation of new ones.

Get States Involved. States can play an important role in this process as many of them have innovative programs already on the ground designed to increase lending, and those that don't could be encouraged to quickly replicate those successful models. Many states have successfully implemented Capital Access Programs, supported by fees from borrowers, lenders, and state governments, which support increased lending by pooling default risk. Other states have designed programs to address collateral shortfalls, creating a state investment fund to provide collateral deposits for a lender with an identifiable revenue stream but whose commercial real estate or equipment has dropped in value because of the economic downturn. Both types of programs use small amounts of public resources to generate private bank financing, and are designed to address critical reasons why banks are having trouble making increased investments now – lack of adequate capital reserves on the part of lenders, and collateral shortfalls on the part of borrowers.

Improve the SBA Express Loan program: Raise the loan cap from \$350,000 to \$1 million (called for by President Obama and the SBA). It would also temporarily raise the guarantee from 50% to 75% for two years, then to 60% in subsequent years. This proposal would spur access to working capital for revolving/seasonal lines of credit and inventory restocking. (Representative Bean – H.R. 4598)

Recapitalize Community Banks and Auto Industry: Provides a capital gains tax waiver for investments in Community Banks and Automotive Companies. Investments made under this program and held for 5 years would be exempted from capital gains. The minimum holding period and limited window of investment (12 months) brings capital to the market quickly while preventing speculation bubbles. This program gives banks, auto manufacturers and parts suppliers a viable alternative to public assistance in raising capital. With no minimum investment amount to participate, Americans of all means can make investments in our nation's recovery and the businesses and banks in their communities. (Representatives Polis, Kosmas and Schauer – H.R. 4877)

Quadruple the Deduction for Small Business Start-Up Costs: Increase the current deduction for small business start-up costs from \$5,000 to \$20,000. With small business start-up costs now averaging \$80,000, this can help more small businesses get off the ground and stay viable. (Representative Kratovil - H.R. 1552)

Small Business Start-up Accounts: Create a new savings vehicle, modeled after the Roth IRA, in which aspiring entrepreneurs can save and invest up to \$10,000 a year in after-tax income and access the returns tax-free for use as start-up capital. This would help entrepreneurs reduce their dependence on debt and avoid raiding their retirement accounts to start a business. (Representative Bright – H.R. 4309)

Provide more opportunities for mid-career education: Community colleges are just one resource that can be strengthened to provide displaced workers with the skills to begin new careers. Building on our investments in the American Recovery and Reinvestment Act, additional funds should be appropriated for job training at community colleges and local workforce investment boards. New Dems also recognize that the regional strengths of our workforce are not always matched with new job opportunities. For this reason, we support building regional collaborative alliances between industry and labor to help meet the challenges of a rapidly changing job market.

Lifelong Learning Account (LiLA) Pilot Program: Lifelong Learning Accounts are portable, employer-matched savings vehicles— like a 401(k) for continuing education and training. With LiLAs, employees are able to save money for future education expenses when looking to move up the ladder. In many instances, employers encourage their employees to save through matching contribution programs.

Invest in the innovators of tomorrow. As part of efforts to reauthorize the America COMPETES Act, set a goal of tripling enrollment in math and science high schools by dramatically increasing the authorization and maximum number of annual awards to establish more of these schools. Tripling the enrollment at specialty math and science high schools will give more students the opportunity to explore the fields necessary to secure top jobs and help America to maintain its prosperity and competitive edge.

II. Investing in Ideas.

To maintain America’s innovative edge, American workers and companies deserve a strong “ideas infrastructure” that nourishes research and development, rewards cutting-edge technologies innovation and protects American intellectual property both at home and abroad. New Democrats believe in the importance of strategic investments to ensure that our country gets the full benefit of American ideas and innovation.

More generous tax credits for research and development. Current tax law provides American companies with a tax break for research and development (R&D) performed in

the U.S. We know, however, that many high-tech small businesses do not generate enough revenue to take advantage of the existing R&D tax credit. While the American Recovery and Reinvestment Act (ARRA) made this credit partially refundable, it did not go far enough. To generate high-tech employment, the R&D credit should be increased from 14% to 20% for 2 years to encourage further private R&D. The credit should also be made transferable so that early-stage businesses can sell their unused credit to generate seed capital. This would provide small businesses with capital now and encourage all businesses to invest in research jobs. Finally, a bonus credit should be given to companies if they also manufacture the products they develop here in the U.S. (Representative Holt – H.R. 4770)

Bonus R&D credit for American manufacturers. Offers a bonus research and development (R&D) credit to manufacturers who keep and create manufacturing jobs in the U.S. The bonus credit would be based on a sliding scale, starting with a bonus R&D credit for companies who manufacture a majority of their products in the U.S. (50%) and offering up to an additional 10% R&D incentive for manufacturers who have a greater share of domestic manufacturing or who increase the share of their domestic manufacturing. This proposal would strengthen the manufacturers that create and retain jobs here in America by increasing their investments in R&D, spurring innovation in the manufacturing sector. (Representative Bocchieri – H.R. 1545)

Reauthorize the Small Business Innovation Research and Small Business Technology Transfer programs. These programs provide seed money for small business entrepreneurs to explore innovative concepts. Both the House and Senate passed reauthorizations in July 2009.

Modify the Advanced Energy Project Credit to include bio-refineries in order to provide an investment tax credit, which would help accelerate construction of next generation bio-refineries. It would also establish tax parity between algae and cellulosic bio-fuels. These improvements will ensure that U.S. biotech remains at the forefront of producing the next generation of renewable bio-fuels, bio-based products. (Representatives Schwartz and Schauer – H.R. 5142)

Eliminate the Patent Backlog: Patents are critical component in the engine of an innovation economy, but due to a growing backlog of over 700,000 applications at the U.S. Patent and Trademark Office (USPTO) that engine is threatening to stall. It now takes almost three years for an innovator to successfully navigate the patent process, and that time has grown over the last five years due to attrition and staffing constraints. These problems have been exacerbated by the recession as declining fee collections have left the USPTO with a \$200 million shortfall that forced suspensions of overtime and hiring. President Obama has proposed allowing the USPTO to recover the shortfall through fees in his FY11 budget. Congress should make a supplemental or advance appropriation to get additional funds into the hands of the USPTO now to kick-start the patent approval process.

III. Helping companies and workers compete and win.

In an increasingly dynamic global economy, American workers and companies must have the benefit of a competitive tax and regulatory structure that allows them to compete and win. New Democrats believe that the U.S. government must be a strong advocate for the interests of American workers and companies abroad, encourage new investments in American technologies and products, promote exports of American products and services, and remove unnecessary tax and regulatory burdens that disadvantage American companies.

Clean Energy Development Administration (CEDA): To create a new program within the Department of Energy to provide loan guarantees and additional credit enhancements to spur development of domestic clean energy resources. CEDA will help provide financing support where the private credit market is not already providing adequately low-priced financing to accelerate the deployment of otherwise creditworthy clean energy projects. (Representative Inslee – H.R. 2212)

Clean Energy Business Zones (CBiZ): This proposal would create new community based business zones (based on the Empowerment Zone program) that would attract businesses involved in the research and manufacture of new clean energy technologies through tax credits for wages, clean renewable energy bond financing, expensing of property and an exclusion from gross income of gain from the sale or exchange of any clean energy business zone asset held for more than five years. (Representative Maffei – H.R. 3919)

Increased funding for the International Trade Administration in the Department of Commerce to fund the 155 unfunded domestic and international commercial officers and specialists that provide assistance to small and medium-sized businesses to help export their products overseas and create jobs here at home.

Recruit more jobs for America: Create a federal loan program at the U.S. Department of Commerce to incentivize employers to locate IT and manufacturing jobs in the United States instead of overseas. Specifically, this proposal would award forgivable loans of up to \$10,000 per job for eligible employers that relocate jobs to areas within the United States that suffer from high unemployment. This will provide a critical incentive for companies with facilities in the United States and offshore to shift work back to the United States. (Representatives Murphy and Smith – H.R.5084)

Improved Export Financing: Reform current export financing programs to make them more useful and user-friendly for U.S. exporters, who compete against foreign exporters whose governments provide more flexible and competitive export financing. Focus specifically on eliminating red tape for small business exporters and on providing these exporters with innovative forms of export financing to address their short-term business needs.